

Message Text

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14

ACTION EA-09

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 8338

INFO AMCONSUL HONG KONG

USLO PEKING

AMEMBASSY MOSCOW

AMEMBASSY SEOUL

AMEMBASSY TAIPEI

CINCPAC HONOLULU HI

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CINCPAC ALSO FOR POLAD

E.O. 11652: N/A

TAGS: PINT, PFOR, CH

SUBJECT: REACTION TO POLITICAL DEVELOPMENTS IN PRC

SUMMARY: DEVELOPMENTS IN CHINA WERE BANNER NEWS IN TOKYO. FONOFF REGARDS YESTERDAY'S DENOUNCEMENT OF THE TENG HSIAO-PING PROBLEM AS A COMPROMISE BETWEEN DEMANDS OF LEFTISTS AND PRAGMATISTS. SUDDEN DECISIONS WERE PRECIPITATED BY EVENTS MONDAY IN TIEN AN MEN AND CONCERN THAT TURMOIL COULD SPREAD THROUGHOUT CHINA. DISMISSAL OF TENG SHOULD SERVE TO DEFUSE THE ANTI-CAPITALIST ROADER CAMPAIGN. NO CHANGES IN FOREIGN POLICY ARE ANTICIPATED. ALTHOUGH POSSIBLE EFFECTS ON CHINA'S FOREIGN ECONOMIC POLICIES OF RECENT INSTABILITY ARE BEING WATCHED FOR CLOSELY, FONOFF ANTICIPATES STEADY MODERNIZATION AND MEASURED FOREIGN TRADE TO CONTINUE. PACE BUT NOT THE TREND, HOWEVER, COULD FLUCTUATE. END SUMMARY.

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1. TENG HSIAO-PING'S FALL AND HUA KUO-FENG'S APPOINTMENT AS PREMIER OF CHINA WAS BANNER NEWS IN TOKYO. JAPANESE PRESS CORPS ASSEMBLED FOR FONOFF BRIEFING LATE APRIL 7 EVENING, THEN DEVOTED TODAY'S MAJOR COLUMNS TO DEVELOPMENTS IN CHINA. FONOFF BRIEFER (CHINA DIV DIR FUJITA) SAID SUDDEN DECISIONS ON PRC LEADERSHIP REPRESENTED COMPROMISES BETWEEN LEFTISTS WHO VILIFIED TENG AND MODERATES WHO RELENDED TO LEFTIST DEMANDS AND MAO'S DECISION TO DISMISS TENG BUT EXACTED A CERTAIN PRICE IN THE PROCESS. DECISIONS WERE PRECIPITATED BY RIOTS IN PEKING'S TIEN AN MEN AND, FUJITA SPECULATED, LEADERSHIP CHANGES WERE MADE RAPIDLY TO PREVENT EVENTS MONDAY FROM ESCALATING INTO NATIONWIDE TURMOIL. POLITICAL ENVIRONMENT IN PRC SHOULD NOT WORSEN AS RESULT OF ANNOUNCEMENTS.

2. FUJITA CITED ELEVATION OF HUA, A MODERATE, TO PREMIERSHIP AND TO NUMBER TWO PARTY POSITION, OVER WANG HUNG-WEN, AS ONE ELEMENT OF COMPROMISE IN RESOLUTION OF THE "TENG PROBLEM." HE ALSO NOTED THAT HUA, A PROTEGE OF MAO, HAD BEEN CRITICIZED BY RADICALS DURING THE CLUTURAL REVOLUTION. REAPPEARANCE OF VICE PREMIER LI HSIEN-NIEN IS ALSO REGARDED AS A CONCESSION TO MODERATES.

3. CHINA'S FOREIGN POLICY AND RELATIONS WITH JAPAN AND THE SOVIET UNION ARE NOT EXPECTED TO CHANGE AS A RESULT OF LEADERSHIP CHANGES IN PEKING. REGARDING THE PEACE AND FRIENDLSHIP TREATY, FONMIN MIYAZAWA TOLD AN UPPER HOUSE DIET COMMITTEE APRIL 6 THAT NEGOTIATIONS HAVE BEEN AT STANDSTILL SINCE HE HELD HIS TALKS WITH PRC FONMIN CHIAO KUAN-HUA LAST SEPTEMBER. UNDER CURRENT DONDITIONS OF INSTABILITY IN CHINA, MIYAZAWA ANTICIPATES NO EARLY RESUMPTION OF TALKS ON THE TREATY. MIYAZAWA ALSO SAID THAT RECENT ATTACKS ON CHOU EN-LAI AND TENG MAY EVEN MEAN THAT PEKING'S POLICY REGARDING THE TREATY COULD CHANGE. HE REVEALED THAT JAPANESE AMB OGAWA IN PEKING HAS BEEN UNABLE SINCE JANUARY TO OBTAIN AN APPOINTMENT WITH FONMIN CHIAO TO DISCUSS THE TREATY. REQUESTS HAVE LIMITED OFFICIAL USE

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BEEN TURNED DOWN BECAUSE CHIAO WAS "TOO BUSY."

4. THERE HAS ALSO BEEN CONSIDERABLE SPECULATION IN TOKYO DURING THE PAST FEW DAYS AS TO WHETHER THE ANTI-CAPITALIST CAMPAIGN, EVENT MONDAY IN TIEN AN MEN, AND THE LEADERSHIP CHANGES ANNOUNCED LAST NIGHT MIGHT AFFECT OR HAVE AFFECTED PEKING'S FOREIGN ECONOMIC POLICY, INCLUDING IMPORT OF PLANTS AND TECHNOLOGY,

OIL EXPORT TO JAPAN, AND NEGOTIATIONS FOR IMPORT INTO CHINA OF 1.5 TO 2 MILLION ADDITIONAL TONS OF JAPANESE STEEL (TOKYO 5109). THUS FAR, THERE IS NO DIRECT EVIDENCE THAT ITEMS UNDER NEGOTIATION BETWEEN JAPAN AND CHINA (STEEL, OIL, SILK) HAVE BEEN AFFECTED BY POLITICAL DEVELOPMENTS IN CHINA. NEVER-THELESS, POSSIBLE EFFECTS ARE IN THE BACK OF EVERYONE'S MIND CONCERNED WITH THESE ISSUES. THERE IS ONE BIT OF CONCRETE EVIDENCE. KANSAI ECONOMIC MISSION WHICH JUST RETURNED FROM CHINA WAS TOLD BY CHINESE LEADERS THAT JAPAN-CHINA TRADE WOULD NOT BE AFFECTED BY THE ANTI-CAPITALIST CAMPAIGN. CHINESE ATTRIBUTED CUTS IN EXPORT OF OIL TO JAPAN TO RAPID PROGRESS IN INDUSTRIALIZATION PROJECTS AND DELAYS IN HARBOR AND PIPELINE CONSTRUCTION PROJECTS.

5. COMMENT: BECAUSE OF STRENGTH OF MODERATES IN CHINA'S INSTITUTIONS AND CHINA'S ECONOMIC NECESSITIES, JAPANESE HAVE TOLD US FREQUENTLY THAT THE ANTI-CAPITALIST CAMPAIGN WOULD NOT FUNDAMENTALLY DISRUPT CHINA. FONOFF EXPECTS THAT OUSTER OF TENG AND PERHAPS A FEW FELLOW SUSPECTED "CAPITALIST ROADERS" LIKE EDUCATION MINISTER CHOU YUNG-HSIN SHOULD REMOVE THE MAJOR SOURCES OF VILIFICATION AND THUS TAKE MUCH OF THE HEAT FROM THE CURRENT CAMPAIGN. LIKE FUJITA EARLIER, ANALYSIS DIVDIR HANABUSA TOLD US TODAY (APRIL 8) HE DOES NOT EXPECT DEVELOPMENTS IN PEKING TO AFFECT PEKING'S BASIC ECONOMIC POLICIES; COMMITMENT TO STEADY MODERNIZATION AND MEASURED FOREIGN TRADE. PACE MAY FLUCTUATE, HOWEVER. SURPRISED BY LAST NIGHT'S DECISIONS, THEY NEVERTHELESS HOPE FOR QUICK STABILIZATION IN PEKING SO THAT BUSINESS CAN BE RESUMED IN A MORE STABLE ATMOSPHERE.
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